CIC Asset Management Inc. 2011 Annual Report

Table of Contents

1 Management Discussion & Analysis

1 Analysis of Financial Results

1 Comparison of 2011 Results with 2010 Results

4 Investment Management

5 Looking Ahead to 2012

6 Consolidated Financial Statements

6 Responsibility for Financial Statements

7 Auditors' Report

8 Consolidated Statement of Financial Position

9 Consolidated Statement of Comprehensive Income (Loss)

10 Consolidated Statement of Changes in Equity

11 Consolidated Statement of Cash Flows

12 Notes to Consolidated Financial Statements

Management Discussion & Analysis

ANALYSIS OF FINANCIAL RESULTS

CIC AMI's focus is on prudently managing the existing portfolio with the mandate to sell its assets in an orderly manner. Investment activity is limited to fulfilling previous commitments and making add-on investments where additional disbursements will protect the value of CIC AMI's assets. CIC AMI is not seeking any new investment opportunities.

This narrative on CIC AMI's consolidated 2011 financial results should be read in conjunction with the audited consolidated financial statements.

COMPARISON OF 2011 RESULTS WITH 2010 RESULTS

The following table presents a five year comparison of CIC AMI's financial results:

(millions of dollars)

	2011	2010	2009[1]	2008[1]	2007[1]
Key Financial Information					
Revenue	$ 4.9	$ 9.9	$ 108.7	$ 202.4	$ 214.8
Gain (loss) on sale of investments	2.0	(1.1)	10.8	690.6	2.4
Operating expenses	(1.4)	(2.2)	(131.9)	(164.1)	(190.1)
Investment (write-down) recoveries	(17.7)	(18.9)	(26.9)	0.3	(29.4)
Recovery of (provision for) environmental remediation liabilities	41.8	(4.0)	(3.6)	(48.2)	(26.1)
Recovery of reinsurance liabilities	4.9	-	-	-	-
Other revenue (expenses)	0.8	(0.9)	10.1	10.0	39.9
Net earnings (loss)	$ 35.3	$ (17.2)	$ (32.8)	$ 691.0	$ 11.5

[1] Amounts for 2009, 2008 and 2007 were prepared under former Canadian Generally Accepted Accounting Principles.

Revenue

Total revenue (revenue plus gain on sale of investments) decreased $1.9 million in 2011, to $6.9 million, explained by the following:

- Decreased interest revenue of $2.9 million in 2011, primarily due to repayment and provisions taken on CIC AMI's debt investments.
- Increase in CIC AMI's share of equity losses of $2.2 million in 2011, attributable to losses generated in CIC AMI's two significant commodity based investments, Meadow Lake OSB Limited Partnership and Big Sky Farms Inc.
- Decrease in loss on sale of investments of $3.1 million in 2011, primarily due to gains realized on sale of investments by one of CIC AMI's consolidated entities.

Operating Expenses

Operating expenses decreased in 2011 to $1.4 million compared to $2.2 million in 2010, the primary reasons for the decrease are as follows:

- As CIC AMI continues to sell its investment portfolio, related investment management costs decrease in direct relation.
- Beginning July 1, 2010, CIC AMI's operations were absorbed by CIC. As a result, 2011 operating costs not directly related to the investments were absorbed by CIC. Before July 1, 2010, CIC AMI paid operating costs related to staffing, office space and other indirect costs.

Impairment of Investments

Provisions for loan losses and net change in value of investments declined to $17.7 million in 2011 from $18.9 million in 2010, a decrease of $1.2 million.

Details of the provisions and impairments in 2011 and 2010 are as follows:

(millions of dollars)

	2011	2010
Provision for Loan Losses and Net Change in Value of Investments[1]		
Provision for loan losses	$ 3.4	$ 4.1
Decrease in carrying value of FVTPL[2] investments	8.1	3.6
Impairment of equity accounted investments	8.7	2.7
Impairment of available-for-sale investments	-	8.8
Recovery of previous impairments of investments and loans	(2.5)	(0.3)
Net provision for loan losses and impairment of investments	$ 17.7	$ 18.9

[1] The occurrence and extent of provisions and write-downs is estimated according to CIC AMI's internal valuation process. The process includes an assessment of the historical and projected financial results of investees, their technological feasibility and significant changes during the year, reasonability of internal forecasts, and likely proceeds in the event of a sale.

[2] Fair Value through Profit or Loss (FVTPL)

During 2011, CIC AMI recognized the following provision for loan losses, changes in FVTPL investments and impairment of equity accounted investees:

- $1.6 million provision for its debt investment in Can Pro Ingredients Ltd.;
- $1.0 million provision for its debt investment in Clothing For Modern Times Ltd.;
- $0.7 million provision for its debt investment in Corporation HET;
- $3.1 million decrease in the value of its FVTPL investment in Phenomenome Discoveries Inc.;
- $1.2 million increase in the value of its FVTPL investment in Quantec Geoscience Limited;
- $2.5 million decrease in the value of its FVTPL investment in Clothing For Modern Times Ltd.;
- $4.2 million decrease in the value of its FVTPL investments held and managed by one of AMI's subsidiaries;
- $0.5 million increase in the value of its FVTPL investment in MCN BioProducts Inc.;
- $1.3 million impairment in the value of its equity accounted investment in Big Sky Farms Inc.; and
- $7.5 million impairment in the value of its equity accounted investment in Meadow Lake OSB Limited Partnership.

Recovery of Environmental Remediation Liabilities

CIC AMI is legally obligated to undertake necessary environmental clean-up activities on certain properties. CIC AMI estimates the cost based on advice given by experts in environmental remediation. Due to evolving environmental laws, enforcement and clean-up practices estimates may change over time. During the year, CIC AMI decreased its estimated costs to provide environmental remediation to properties in Prince Albert, Meadow Lake and Saskatoon by $41.8 million (2010 - $4.0 million increase). At year end, CIC AMI had environmental liabilities recorded for the ERCO Worldwide chemical plant in Saskatoon ($50.5 million), Prince Albert pulp mill site ($10.0 million) and Meadow Lake pulp mill site ($0.4 million).

Recovery of Reinsurance Liabilities

During the year, CIC AMI settled the outstanding reinsurance litigation matters with Canada Life Assurance Company (Canada Life) for a cash payment of $6.0 million. CIC AMI had initially estimated the liability at $10.9 million and therefore, recorded a recovery on the settlement of the provision of $4.9 million.

Operating, Investing and Financing Activities

(millions of dollars)

	2011	2010
Cash Flow Highlights		
Net cash from operating activities	$ 8.9	$ 9.2
Net cash (used in) from investing activities	(48.4)	46.1
Net cash used in financing activities	(1.4)	(101.3)
Net change in cash	$ (40.9)	$ (46.0)

Net cash from operating activities decreased $0.3 million in 2011 compared to 2010.

Net cash used in investing activities decreased $94.5 million in 2011. In 2011, the sales of investments generated $6.6 million in cash proceeds, compared to $48.9 million in 2010. The decrease is primarily due to the timing of investment sales, as the majority of CIC AMI's fair value investments were sold in 2010. Purchases of investments in 2011 resulted in a use of cash of $3.9 million, compared to $2.0 million in 2010, as a number of existing investment commitments and protective disbursements were funded in 2011. During 2011, the remaining investment commitments made by CIC AMI were disbursed. Cash used in investing activities in 2011 was primarily due to the purchase of $74.6 million in short-term investments. In 2011, the decrease in restricted cash made $29.5 million available to CIC AMI to use at its discretion. Also, during 2011 CIC AMI settled its reinsurance liability for a cash payment of $6.0 million.

Net cash used in financing activities decreased by $99.9 million in 2011 compared to 2010. The primary cause of the decrease in use of cash was a $100.0 million share redemption to CIC in 2010. CIC AMI had no share redemptions in 2011.

Liquidity

CIC AMI finances capital requirements through interest received on cash balances and cash returns from investments. CIC AMI is authorized to borrow from CIC and external financial institutions. The Province of Saskatchewan's General Revenue Fund (GRF) may borrow in capital markets on behalf of CIC and has ample access to capital markets for any potential borrowing requirements. At December 31, 2011, CIC AMI has no external debt. CIC AMI is not expecting to make any significant investments in 2012; therefore, any investments and costs associated with investment activities can be met through the Corporation's cash reserves.

INVESTMENT MANAGEMENT

Investments and related risks are diligently monitored on an ongoing basis with periodic reporting to the Corporation's executive and the Board of Directors pertaining to investment returns, risks and investment retention or sale.

CIC AMI regularly assesses the appropriateness of the carrying value of its investments, and writes-down an investment if it determines that there is a decline in its value that is not considered temporary. Investments classified as FVTPL are measured at fair value, and changes therein are recognized through profit or loss. CIC AMI records its publicly traded investments based on market trading prices at the reporting date. Notwithstanding these write-downs and provisions, CIC AMI continues to strive to optimize the ultimate returns from these investments through such measures as continued development of the underlying investment's business, involvement in sale negotiations, and actively pursuing alternate means of collection where warranted.

CIC AMI's mandate is to prudently manage and divest the existing portfolio while making add-on investments only when it appears that additional disbursements will protect the asset to allow CIC AMI to make a suitable divestiture.

During 2011, CIC AMI's investment portfolio decreased by $24.7 million to $88.8 million as follows:

(millions of dollars)

		2011
Investment Continuity Schedule		
Investments, beginning of year	$	113.5
Investment sale proceeds		(6.6)
Gain on sale of investments		2.0
Equity losses		(2.7)
Dividends from equity investments		-
Change in other comprehensive income related to investments		(0.3)
Write-down of investments		(17.7)
Recovery of previous impairments of investments and loans		(2.5)
Purchase of investments		3.9
Other		(0.8)
Investments, end of year	$	88.8

During the year, CIC AMI sold assets with a book value of $4.6 million for proceeds of $6.6 million netting a gain on sale of $2.0 million. During 2011, the following asset disposals and additions were made:

(millions of dollars)

		Cash proceeds on disposal		Cash outlay for additions
Investments				
Premium Brands Holdings Corporation	$	2.7	$	-
Collection of loan portfolio principal payments		0.8		-
Investments made by one of CIC AMI's subsidiaries and other		3.1		3.9
	$	6.6	$	3.9

LOOKING AHEAD TO 2012

CIC AMI's outlook related to investment values, earnings and cash flow performance, as well as dividend payment and long-term self-supporting abilities are highly dependent on the performance and management of the underlying investment portfolio.

CIC AMI is budgeting for a net loss of $1.6 million in 2012. CIC AMI's net earnings are closely tied to the commodity values of oriented strand board (Meadow Lake OSB Limited Partnership) and hog prices (Big Sky Farms Inc.). CIC AMI does not expect the commodity markets to recover in 2012 from 2011 levels. Therefore, CIC AMI does not expect positive results from its commodity based investments until at least 2013.

CIC AMI's cash disbursements to CIC (either share redemptions or dividends) are dependent on the cash requirements of CIC AMI. CIC AMI anticipates available cash to provide CIC with a return in 2012.

CIC AMI anticipates exiting a number of investments in 2012, although timing of ultimate sale is dictated by market conditions. CIC AMI is prepared to defer the sale of investments where additional value will be created through an investment's organic growth and development, or through an improvement in market conditions. Any additional investments placed will be limited to select add-on investments which may be required to achieve commercialization or sale of existing investments in the portfolio. Current economic conditions may result in a decision to delay some of the anticipated exits if it is felt that the current market value cannot be maximized during 2012.

Consolidated Financial Statements

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by management of CIC Asset Management Inc. They have been prepared in accordance with International Financial Reporting Standards, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the consolidated financial statements and other information contained in the Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, the Corporation's external auditors KPMG LLP, and the Provincial Auditor for Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The Provincial Auditor for Saskatchewan has reported to the Legislative Assembly that financial controls are adequately functioning.

KPMG LLP has audited the consolidated financial statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the consolidated financial statements, appears on the following page.

Rae Haverstock
Managing Director

February 29, 2012

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying consolidated financial statements of **CIC Asset Management Inc.**, which comprise the consolidated statement of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of CIC Asset Management Inc. as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

February 29, 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT (thousands of dollars)

	Note	December 31 2011	December 31 2010	January 1 2010
ASSETS				
Current				
Cash and cash equivalents	5	**$ 88,266**	$ 129,203	$ 175,231
Short-term investments	7	**74,593**	-	-
Interest and dividends receivable		**434**	296	499
Accounts receivable		**756**	1,622	1,436
Restricted cash	6	**7,656**	22,060	21,250
		171,705	153,181	198,416
Investments	7	**54,942**	68,253	133,467
Investments in equity accounted investees	8	**33,857**	45,219	50,303
Equipment	9	**-**	35	257
Restricted cash	6	**4,900**	20,000	20,000
		$ 265,404	$ 286,688	$ 402,443
LIABILITIES AND SHAREHOLDER'S EQUITY				
Current				
Trade and other payables		**$ 2,357**	$ 4,078	$ 5,974
Provisions for environmental remediation liabilities	10	**60,797**	102,595	98,575
Provision for reinsurance liabilities	10	**-**	10,848	10,868
		63,154	117,521	115,417
Shareholder's Equity				
Share capital	11	**80,000**	80,000	180,000
Contributed surplus		**125**	161	136
Retained earnings		**114,367**	79,059	96,148
Accumulated other comprehensive loss	12	**(670)**	(405)	(261)
Equity attributable to Crown Investments Corporation of Saskatchewan (CIC)		**193,822**	158,815	276,023
Non-controlling interest		**8,428**	10,352	11,003
Total shareholder's equity		**202,250**	169,167	287,026
		$ 265,404	$ 286,688	$ 402,443
Commitments and contingencies (See accompanying notes)	13			

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEAR ENDED DECEMBER 31 (thousands of dollars)

	Note	2011	2010
REVENUES			
Interest and other		$ 7,618	$ 10,469
Share of losses of equity accounted investees	8	(2,715)	(556)
Gain (loss) on sale of investments		1,965	(1,086)
		6,868	8,827
EXPENSES			
Operating		1,409	2,179
Amortization		2	21
		1,411	2,200
EARNINGS BEFORE THE FOLLOWING		5,457	6,627
Recovery of (provision for) environmental remediation liabilities	10	41,798	(4,020)
Provision for loan losses		(3,363)	(4,127)
Net change in value of investments		(14,320)	(14,732)
Recovery of reinsurance liabilities		4,965	-
EARNINGS (LOSS) BEFORE NON-CONTROLLING INTEREST		34,537	(16,252)
Non-controlling interest		771	(837)
NET EARNINGS (LOSS) ATTRIBUTABLE TO CIC		35,308	(17,089)
OTHER COMPREHENSIVE LOSS			
Net change in unrealized foreign currency translation losses		(265)	(144)
OTHER COMPREHENSIVE LOSS		(265)	(144)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CIC		$ 35,043	$ (17,233)

(See accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31 (thousands of dollars)

	Attributable to CIC						
	Share Capital (Note 11)	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss (Note 12)	Total	Non-Controlling Interest	Total Equity
Balance at January 1, 2010	$ 180,000	$ 136	$ 96,148	$ (261)	$ 276,023	$ 11,003	$ 287,026
Net loss	-	-	(17,089)	-	(17,089)	837	(16,252)
Dividends paid to non-controlling interests of subsidiaries'	-	-	-	-	-	(1,287)	(1,287)
Redemption of share capital	(100,000)	-	-	-	(100,000)	-	(100,000)
Net change in unrealized foreign currency translation gains	-	-	-	(144)	(144)	-	(144)
Other	-	25	-	-	25	(201)	(176)
Balance at December 31, 2010	$ 80,000	$ 161	$ 79,059	$ (405)	$ 158,815	$ 10,352	$ 169,167
Balance at January 1, 2011	**$ 80,000**	**$ 161**	**$ 79,059**	**$ (405)**	**$ 158,815**	**$ 10,352**	**$ 169,167**
Net earnings	**-**	**-**	**35,308**	**-**	**35,308**	**(771)**	**34,537**
Dividends paid to non-controlling interests of subsidiaries'	**-**	**-**	**-**	**-**	**-**	**(1,411)**	**(1,411)**
Net change in unrealized foreign currency translation gains	**-**	**-**	**-**	**(265)**	**(265)**	**-**	**(265)**
Other	**-**	**(36)**	**-**	**-**	**(36)**	**258**	**222**
Balance at December 31, 2011	**$ 80,000**	**$ 125**	**$ 114,367**	**$ (670)**	**$ 193,822**	**$ 8,428**	**$ 202,250**

(See accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31 (thousands of dollars)

	Note	2011	2010
OPERATING ACTIVITIES			
Net earnings (loss)		$ 35,308	$ (17,089)
Dividends received from investments in equity accounted investees		-	2,732
Adjustments to reconcile net earnings to cash from operating activities	14	(25,432)	25,443
Net change in non-cash working capital balances related to operations	15	(993)	(1,879)
Net cash from operating activities		8,883	9,207
INVESTING ACTIVITIES			
Proceeds from sale and collection of investments		6,568	48,869
Purchase of investments		(3,899)	(2,011)
Increase in short-term investments		(74,593)	-
Decrease (increase) in restricted cash		29,504	(812)
Proceeds from sale of equipment		18	-
Settlement of reinsurance provision		(6,007)	-
Net cash (used in) from investing activities		(48,409)	46,046
FINANCING ACTIVITIES			
Proceeds of share issuance to non-controlling interest		-	6
Dividends paid to non-controlling interests of subsidiaries'		(1,411)	(1,287)
Redemption of share capital		-	(100,000)
Net cash used in financing activities		(1,411)	(101,281)
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR		(40,937)	(46,028)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		129,203	175,231
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 88,266	$ 129,203

(See accompanying notes)

Notes to Consolidated Financial Statements

1. General information

CIC Asset Management Inc. (collectively referred to as "AMI" or "the Corporation") is a corporation domiciled in Canada. The address of AMI's registered office and principal place of business is 400-2400 College Avenue, Regina, SK, S4P 1C8. AMI has a mandate to prudently manage and divest of its portfolio of investments. The consolidated financial statements of AMI comprise AMI and its subsidiaries and AMI's interest in associates and jointly controlled entities with principal activities as described in Note 3(a).

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These are AMI's first consolidated financial statements prepared in accordance with IFRS and IFRS 1 - *First-time Adoption of International Financial Reporting Standards* has been applied.

The Corporation's consolidated financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

An explanation of how the transition from GAAP to IFRS has affected the reported financial position, financial performance and cash flows of AMI is provided in Note 18.

The consolidated financial statements were authorized for issue by the Board of Directors on February 29, 2012.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the significant accounting policies set out in Note 3.

c) Functional and presentation currency

The consolidated financial statements are presented in Canadian Dollars, which is AMI's functional currency.

d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Significant items subject to estimates and assumptions include the carrying amounts of accounts receivable and investments, the accounting for special purpose entities, the fair value of financial instruments and provisions for environmental remediation liabilities and reinsurance obligations, and disclosure of contingent liabilities. These significant areas are further described in the summary of significant accounting policies Note 3, and Notes 7, 8, 10, 13 and 17.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated. The accounting policies have been consistently applied by AMI's subsidiaries.

a) Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Corporation has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities, generally indicated by the Corporation holding more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Corporation controls another entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Identifiable assets acquired, liabilities, and continent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of any minority interest. The excess of the cost of acquisition over the fair value of the Corporation's share of the identifiable net assets acquired is recorded as goodwill.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by AMI.

These consolidated financial statements include the accounts of CIC Asset Management Inc. and its subsidiaries:

101069101 Saskatchewan Ltd.
CIC WLSVF Holdings Inc.
CIC Foods Inc.
CIC FTLP Holdings Inc.
CIC FTMI Holdings Inc.
CIC OSB Products Inc.
CIC PVF Holdings Inc.
CIC Pulp Ltd.
HARO Financial Corporation
Investment Saskatchewan Swine Inc.
Invest Sask Holdings Inc.

Associates and jointly controlled entities (investments in equity accounted investees)

Associates are those entities in which AMI has a significant influence, but not control, over strategic financial and operating policy decisions. Significant influence is presumed to exist when AMI holds between 20.0 and 50.0 per cent of the voting power of another entity. Jointly controlled entities are those entities over whose activities AMI has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method and are recognized initially at cost. AMI's investment includes any goodwill and intangible assets identified at acquisition, net of accumulated impairment losses. The consolidated financial statements include AMI's share of the total comprehensive income and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of AMI, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When AMI's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to $Nil and the recognition of further losses is discontinued except to the extent that AMI has an obligation or has made payments on behalf of the investee.

Special purpose entities

AMI has established certain special purpose entities (SPEs) for trading and investment purposes. An SPE is consolidated if, based on an evaluation of the substance of its relationship with AMI and the SPE's risks and rewards, AMI concludes that it controls the SPE. SPE's controlled by AMI were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in AMI receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

AMI has determined that Meadow Lake Pulp Limited Partnership (MLPLP) falls under the classification of an SPE and has been consolidated in these financial statements.

Other equity investments

The Corporation holds a number of equity investments which are not joint ventures, and over which the Corporation is unable to exercise control or significant influence. These investments are recorded as fair value through profit or loss as outlined in Note 7.

Publicly traded investments are recorded at the market price at the financial statement date. The fair values of unlisted securities are established according to the requirements of IAS 39 - *Financial Instruments: Recognition and Measurement*. The Corporation considers the guidance provided by the International Private Equity and Venture Capital (IPEV) guidelines, as well as the Canadian Institute of Chartered Business Valuators (CICBV) to be consistent with the requirements of IAS 39 for determining the fair value of an unlisted equity position.

The valuation method most commonly used by the Corporation is the 'price of recent investment,' as recent transactions in a company's stock generally provide a good indication of fair value. Where there has been any recent investment by third parties, the price of that investment will provide a basis of the valuation.

If there is no readily ascertainable value from following the 'price of recent investment' methodology, the Corporation considers alternative methodologies as recommended by the IPEV and CICBV, and consistent with the requirements of IAS 39. These methods are primarily focused on the projected earnings or cash flows of the business, discounted to present value by applying a discount rate which appropriately reflects industry and company specific risk factors. These methodologies require management make assumptions over the timing, amount, and risk profile of future earnings and cash flows when calculating value.

Where fair value cannot be estimated reliably, the investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has since been impaired. All recorded values of investments are reviewed at each reporting date for any indication of impairment and adjusted accordingly. See Note 3(f) below for the accounting treatment of fair value investments.

Transactions eliminated on consolidation

Inter-group balances and transactions, and any unrealized income and expenses arising from inter-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with investments in equity accounted investees are eliminated against the investment to the extent of AMI's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Cash and cash equivalents

Cash and cash equivalents include short-term investments that have a maturity date of ninety days or less.

c) Equipment

Equipment is recorded at cost less accumulated depreciation and any accumulated impairment losses. When these assets are disposed of or retired, the related costs less accumulated depreciation and any accumulated impairment losses are eliminated from the accounts. Any resulting gains or losses are reflected in the statement of comprehensive income (loss).

d) Depreciation of equipment

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual amount. Depreciation is recorded primarily on the straight-line basis over the useful life of each asset as follows:

Equipment	3 - 15 years

The useful life and depreciation method are reviewed periodically to ensure consistency with the expected pattern of economic benefits from these assets.

e) Financial instruments

AMI classifies its financial instruments into one of the following categories: fair value through profit or loss; loans and receivables; available-for-sale; and other liabilities.

Financial assets and liabilities are not offset with the net amount reported on the balance sheet unless there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

All financial instruments are measured at fair value on initial recognition. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments at fair value through profit or loss in which case the transaction costs are expensed as incurred. Measurement in subsequent years depends on the classification of the financial instrument.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized through profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale

A financial asset is classified as available-for-sale when it is designated as such or is not classified in any of the previous categories. Financial assets are designated in the available-for-sale category when their fair value cannot be estimated reliably; as such they are recorded at cost.

Non-derivative financial liabilities

The Corporation initially recognizes a financial liability on the date it is originated. All other financial liabilities, including liabilities designated at fair value through profit or loss, are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Corporation does not net financial assets or liabilities for presentation in the consolidated statement of financial position.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Embedded derivatives

Derivatives may be embedded in other host instruments and are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative, and the combined contract is not held-for-trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in net earnings.

f) Impairments

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset which can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to AMI on terms that AMI would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net earnings and reflected in an allowance account against the asset. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net earnings.

Investments in equity accounted investees

The carrying amounts of investments in equity accounted investees are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the equity accounted investment's recoverable amount is estimated. The recoverable amount of an equity accounted investment is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the equity accounted investment.

An impairment loss is recognized if the carrying amount of an equity accounted investment exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the equity accounted investment's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

g) Provisions

A provision is recognized if, as a result of a past event, AMI has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The unwinding of the discount on provisions is recognized in the consolidated statement of comprehensive income (loss) as finance expenses.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Environmental remediation

A provision for environmental remediation is accrued when the occurrence of an environmental expenditure, related to present or past activities of AMI, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations and remediation at identified sites. These provisions are based on management's best estimate considering current environmental laws and regulations and are recorded at fair value. AMI reviews its estimates of future environmental expenditures on an ongoing basis.

Reinsurance liabilities

The Corporation records a provision for reinsurance liabilities based on the estimated amount required to settle outstanding claims and extinguish the related liability, incorporating estimates regarding the amount, timing, probability of settlement, including related legal costs. The Corporation extinguished the liability in full during 2011. For additional information refer to Note 10(b).

h) Revenue recognition

Revenues are recognized in the year the services are provided when there is clear proof that an arrangement exists, amounts are determinable and the ability to collect is reasonably assured.

Interest earned on investments is recognized on an accrual basis except where uncertainty exists as to ultimate collection. In cases where collectability of interest is not reasonably assured, interest is recorded when it is received and accrued interest receivable is offset by deferred interest.

Dividends are recorded as income when received or receivable for all investments in which the Corporation does not exercise significant influence.

i) Foreign currency transactions

Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Canadian dollars at the exchange rate at that date. Non-monetary assets and liabilities are translated using the exchange rates on the date of the transactions. Foreign currency differences arising on translation are recognized in net earnings, except for differences arising on the translation of qualifying cash flow hedges, which are recognized in other comprehensive income.

The assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rate on the reporting date. The revenue and expenses of foreign operations are translated to Canadian dollars using exchange rates on the dates of the transactions. Translation adjustments arising from changes in the exchange rate are reflected in other comprehensive income. When a foreign operation is disposed of the related accumulated translation adjustment is transferred to net earnings as part of the gain or loss on disposal.

j) Finance income and expenses

Finance income - as an investment company, the Corporation has chosen to record gains on sale of investments through profit or loss in net earnings, and changes in fair value of financial assets at fair value through profit or loss in recovery of investments. Interest income is also recognized in net earnings using the effective interest method.

Finance expenses - changes in the fair value of financial assets at fair value through profit or loss are recorded to net change in value of investments.

On the consolidated statement of cash flows, interest and dividends received are classified as an operating activity, and dividends paid are classified as a financing activity.

k) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these consolidated financial statements. In particular, the following new and amended standards which become effective for years beginning on or after January 1, 2013:

- IFRS 9, *Financial Instruments*
- IFRS 10, *Consolidated Financial Statements*
- IFRS 11, *Joint Arrangements*
- IFRS 12, *Disclosure of Interests in Other Entities*
- IFRS 13, *Fair Value Measurement*
- IAS 1, *Presentation of Financial Statements*
- IAS 28, *Investments in Associates and Joint Ventures*

The extent of the impact on adoption of these standards is not known at this time.

4. Status of CIC Asset Management Inc.

The Corporation was incorporated under *The Business Corporations Act (Saskatchewan)* on November 14, 1979 as a wholly-owned subsidiary of CIC, a provincial Crown corporation. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and is not subject to federal and provincial income taxes. Certain of the Corporation's investments are subject to federal and provincial income taxes.

5. Cash and cash equivalents

The major components of cash and cash equivalents are as follows:

(thousands of dollars)

	2011	2010
Cash on deposit	$ 41,573	$ 129,203
Short-term investments	46,693	-
	$ 88,266	$ 129,203

The weighted average interest rate for short-term investments included in cash and cash equivalents at December 31, 2011 was 1.06 per cent.

6. Restricted cash

AMI holds the following cash and cash equivalents restricted for use:

(thousands of dollars)

	2011		2010	
	Current	Non-Current	Current	Non-Current
Meadow Lake Pulp Limited Partnership (a)	$ 7,656	$ 4,900	$ 22,060	$ 20,000

a) The current portion of restricted cash (2010 - current and long term portion) is held by the receiver of Meadow Lake Pulp Limited Partnership which is subject to an order of the Court of Queen's Bench of Saskatchewan. For additional information refer to Note 10(a)iii.

At December 31, 2011 the non-current portion of restricted cash had been paid to the Corporation, and was then placed in trust for the future remediation and monitoring costs associated with Meadow Lake Pulp Limited Partnership site, subject to the order of the Court of Queen's Bench of Saskatchewan.

7. Investments

(thousands of dollars)	2011	2010
Short-term investments - at fair value through profit or loss	$ 74,593	$ -
Fair value through profit and loss		
BlackPearl Resources Inc.	$ 373	$ 534
Clothing For Modern Times Ltd.	-	2,531
Cordy Oilfield Services Inc.	-	118
Just Energy Group Inc.	389	508
Legacy Oil+Gas Inc.	-	327
MCN BioProducts Inc.	2,000	1,502
NAL Energy Corp.	536	885
PetroBakken Energy Ltd.	1,072	1,821
Phenomenome Discoveries Inc.	3,754	6,867
Prairie Ventures Limited Partnership - private equity (a)	8,477	10,443
Premium Brands Holdings Corporation	-	2,662
Primaxis	101	101
Quantec Geoscience	3,950	2,726
Zargon Oil & Gas Ltd.	403	656
	21,055	31,681
Loans and other advances		
Terra Grain Fuels Inc. Interest Rate - 12.5% (2010 - 10.5%) Maturity - May 15, 2014	24,726	25,221
Can Pro Ingredients Ltd. (b) Interest Rates 14% - 20%	-	1,200
Clothing For Modern Times Ltd. (c)	6,756	7,780
Other	2,405	2,371
	33,887	36,572
Total investments	$ 54,942	$ 68,253

(a) Under the Corporation's investment management agreement with Prairie Ventures Limited Partnership (PVLP), certain privacy and competitive factors prevent AMI from disclosing fair value information at an individual investment level detail for equity investments in private entities held through PVLP. Therefore the fair value for these investments has been reported in total.

(b) During the year, the Corporation advanced $0.4 million of debt financing to Can Pro Ingredients Ltd. (Can Pro) as a protective disbursement. At December 31, 2011 AMI recorded an impairment loss for the full carrying amount of the loan, resulting in impairment of $1.6 million.

(c) During the year, Clothing For Modern Times Ltd. (CFMT) entered receivership and was granted creditor protection under the Companies' Creditors Arrangement Act. At December 31, 2011, a proposal had been put forward which would result in AMI recovering a portion of its investment in CFMT in cash, and a portion through a debt position in the anticipated successor entity. AMI is second in distribution priority to CFMT's senior lender. At December 31, 2011 AMI has determined the carrying value of its investment in CFMT based on the risk adjusted present value of anticipated proceeds, subject to measurement uncertainty disclosed elsewhere in these financial statements, resulting in recognizing an impairment of $1.0 million.

8. Investments in equity accounted investees

(thousands of dollars)

	Principal activity	Reporting date	Ownership interest 2011	Ownership interest 2010	Carrying value 2011	Carrying value 2010
Associates						
Bioriginal Food and Science Corporation (a)	Crop genetics, alternative foods	September 30	**49.9%**	50.1%	**$ 2,902**	$ 2,047
Big Sky (b)	Swine production	March 5	**41.8%**	41.8%	**438**	2,116
Jump.ca (c)	Cellular marketing and distribution	March 31	**27.4%**	27.4%	**9,355**	7,961
ML OSB Partnership (d)	Orientated strand board production	December 31	**25.0%**	25.0%	**10,800**	23,695
VendAsta Technologies Inc.	Social networking and web based marketing	December 31	**24.5%**	24.5%	**2,547**	2,581
Other (e)	Various	Various			-	-
					26,042	38,400
Jointly controlled entities						
Centennial Foods Partnership (f)	Food services	June 30	-	33.1%	-	524
Foragen Technologies Limited Partnership (g)	Agricultural venture capital	December 31	**33.3%**	33.3%	**7,815**	6,295
					7,815	6,819
					$ 33,857	$ 45,219

a) In 2010 the corporation owned 50.1 per cent of Bioriginal Food and Science Corporation (Bioriginal). The Corporation is only entitled to 33.3 per cent of the voting rights on the Board of Directors and is therefore unable to exercise control over the Company. Included in the net book value of Bioriginal is $Nil (2010 - $1.4 million) of intangible assets identified upon acquisition. The various intangible assets with defined lives are being amortized over useful lives ranging from 0.5 years to 5 years, and were fully amortized at December 31, 2011. For the year ended December 31, 2011, the Corporation recorded equity earnings of $1.1 million based on its ownership interest in Bioriginal. Bioriginal has a September 30 reporting date which is common industry practice.

b) For the year ended December 31, 2011, the Corporation recorded equity losses of $0.4 million based on its ownership interest in Big Sky, and an additional $1.3 million impairment loss based on AMI's internal valuation assessment at December 31, 2011. Big Sky has a March 5 reporting date upon emerging from the *Companies' Creditors Arrangement Act* (CCAA) in 2010.

c) For the year ended December 31, 2011, the Corporation recorded equity earnings of $1.4 million based on its ownership interest in Jump.ca (Jump). Jump has a March 31 reporting date which is common industry practice.

d) The Corporation, through its wholly owned subsidiary CIC OSB Products Inc., owns 25.0 per cent of Meadow Lake OSB Limited Partnership (ML OSB) and 25.0 per cent on a fully diluted basis. The Corporation had previously issued 10,000,000 segment 1 options to certain parties to purchase units of ML OSB. The options expired unexercised in 2011. For the year ended December 31, 2011, the Corporation recorded equity losses of $5.4 million based on its ownership interest in ML OSB, and an additional $7.5 million impairment loss, based on AMI's internal valuation assessment at December 31, 2011.

e) During the year, the Corporation invested $0.5 million of follow on investment in Solido Design Automation, and recorded equity losses of $0.5 million based on its ownership interest. The Corporation has discontinued recognition of its share in net losses of various associates totaling $2.4 million for the year ended December 31, 2011 (2010 - $0.3 million) and $2.7 million cumulatively at December 31, 2011.

f) The Corporation disposed of its remaining interest in Centennial Foods Partnership during the year for proceeds of $0.5 million.

g) The Corporation, through its wholly owned subsidiary CIC FLTP Holdings Inc., owns limited partnership units in Foragen Technologies Limited Partnership. This joint venture contributed equity earnings of $1.1 million (2010 - loss of $17.0 thousand) to the Corporation's financial results. During the year, the Corporation made a $0.4 million (2010 - $0.2 million) equity investment in the joint venture.

The Corporation's share of losses in its equity accounted investees for the year was $2.7 million (2010 - loss of $0.6 million). The Corporation's equity accounted investees are as follows:

- Bioriginal Food and Science Corp.
- Big Sky Farms Inc.
- Can Pro Ingredients Ltd.
- Corporation HET
- Jump.ca Wireless Supply Corp.
- L&M Wood Products Limited Partnership
- Meadow Lake OSB Limited Partnership
- Solido Design Automation Inc.
- VendAsta Technologies Inc.
- Western Life Sciences Venture Fund Limited Partnership
- Centennial Foods Limited Partnership (Joint Venture)
- Foragen Technologies Limited Partnership (Joint Venture)

Summarized financial information for equity accounted investees, not adjusted for the percentage ownership held by the Corporation is detailed as follows. Due to pre-existing legal agreements with investees, the Corporation is unable to disclose the financial information on an individual investee basis, and therefore the combined financial information for the Corporation's equity accounted investees listed above is combined below:

(thousands of dollars)

	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Revenues	Expenses	Profit (Loss)
December 31, 2010	$ 105,163	$ 267,801	$ 56,777	$ 132,328	$ 287,172	$ 292,159	$ (4,987)
December 31, 2011	**$ 99,562**	**$ 241,323**	**$ 100,553**	**$ 97,479**	**$ 349,985**	**$ 378,364**	**$ (28,379)**

9. Equipment

(thousands of dollars)

	2011	2010
Cost		
Balance at January 1	$ 38	$ 628
Additions	-	-
Disposals	(38)	(590)
Cost at end of year	-	38
Accumulated depreciation		
Balance at January 1	3	371
Depreciation	2	21
Disposals	(5)	(389)
Accumulated depreciation at end of year	-	3
	$ -	$ 35

10. Provisions

(thousands of dollars)

	Environmental remediation (a)	Reinsurance liabilities (b)	Total
Balance at January 1, 2010	$ 98,575	$ 10,868	$ 109,443
Accretion expense	4,020	-	4,020
Other	-	(20)	(20)
Balance at December 31, 2010	$ 102,595	$ 10,848	$ 113,443

	Environmental remediation (a)	Reinsurance liabilities (b)	Total
Balance at January 1, 2011	$ 102,595	$ 10,848	$ 113,443
Reduction of provisions	(41,798)	-	(41,798)
Settlement of provisions	-	(6,007)	(6,007)
Recovery on settlement	-	(4,841)	(4,841)
Balance at December 31, 2011	$ 60,797	$ -	$ 60,797

a) Environmental remediation

The following are included in the provision for environmental remediation liabilities:

i) The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. The Corporation has accrued $10.0 million (2010 - $28.0 million) to carry out clean-up activities and associated costs related to an indemnity provided by Prince Albert Pulp Company Ltd. (PAPCO) and Her Majesty in Right of the Province of Saskatchewan for environmental liabilities predating 1986 related to the Prince Albert pulp mill site. The Corporation is a successor corporation to PAPCO and therefore has recorded the estimated cost of its assumed obligations related to the PAPCO site. The decrease in the liabilities of $18.0 million is as a result of external studies completed on the site.

ii) The Corporation has accrued $50.5 million (2010 - $65.4 million) to carry out the clean-up activities related to an indemnity provided by PAPCO and Her Majesty in Right of the Province of Saskatchewan for environmental liabilities predating 1986 relating to the ERCO Worldwide chemical plant. The decrease in the liabilities of $14.9 million is as a result of external studies completed on the site.

iii) The Corporation has recorded $0.4 million (2010 - $9.3 million) for estimated groundwater monitoring and health risk assessment costs related to an obligation of Meadow Lake Pulp Limited Partnership as a result of the sale of its assets. These funds are held in trust according to court order, and are to be applied against continued site monitoring expenses through to January 2017, at which time residual amounts may be utilized to conduct a human health and ecological assessment according to the landfill closure plan prepared for the site by environmental consultants. The decrease in the liability of $8.9 million is a result of adjusting the provision to the amount mandated by the Court of Queen's Bench in its May 13, 2011 ruling regarding the Corporation's obligations related to the site.

b) Reinsurance liabilities

The Corporation, through its subsidiary HARO Financial Corporation, owned 65.2 per cent of Crown Life Insurance Company (Crown Life). As part of the final closing of the sale of Crown Life to Canada Life Assurance Company (Canada Life), the Corporation issued a $26.1 million letter of credit to Canada Life as security for outstanding litigation matters related to regular insurance transactions and marketing practices of Crown Life that are deemed to be the responsibility of Crown Life prior to the final closing. The letter of credit was reduced to $Nil during the year due to the settlement of the litigation matters for a cash payment of $6.0 million. The Corporation recorded a recovery on the settlement of the provision of $4.8 million. The carrying value of the provision in 2010 was $10.8 million based on the best estimate, at the time, of the actual costs of such contingent liabilities.

11. Share capital and capital disclosures

As a wholly-owned subsidiary of CIC, the Corporation's share capital currently consists of funds invested by CIC in the amount of $80.0 million (2010 - $80.0 million). The capital structure is determined in conjunction with the shareholder based on the approved business plans.

The Corporation's objectives when managing capital are to ensure adequate capital to support the operations of the Corporation, and to ensure adequate returns to the shareholder. The Corporation has a strong current ratio of 2.72 as at December 31, 2011 (2010 - 1.30) and has cash and short-term investments on hand to meet its debt obligations.

(thousands of dollars)

	2011	2010
Authorized:		
Unlimited common shares with no par value		
Issued and outstanding:		
2011 - 7,999,983 common shares, beginning of year (2010 - 17,999,983 common shares, beginning of year)	$ 80,000	$ 180,000
Shares redeemed during year:		
2011 - Nil (2010 - 10,000,000 common shares)	-	(100,000)
Cost at end of year	$ 80,000	$ 80,000

12. Accumulated other comprehensive loss

(thousands of dollars)	2011	2010
Unrealized foreign currency translation losses	$ (670)	$ (405)

13. Commitments and contingencies

The following significant commitments and contingencies exist at December 31, 2011:

a) In the normal course of business, the Corporation became involved in claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2011 cannot be predicted with certainty, it is the opinion of management that resolution of these matters will not have a material adverse effect on the Corporation's financial position or results of operations. The Corporation will therefore account for these matters in the year of resolution.

b) The Corporation has entered into an investment management agreement with a third party investment manager. Under the terms of this agreement, the investment manager may be entitled to performance fees on gains realized upon the disposition of any investment. Due to the terms of the agreement, it is not possible to quantify the amount of such performance fees until the time of the disposition of the investment although the Corporation has accrued the best estimate of these fees at the reporting date. It is the opinion of management that resolution of these matters will not have a material effect on the Corporation's financial position or results of operations.

c) Included in long term restricted cash is $4.5 million which has been placed in trust under order of the Court of Queen's Bench of Saskatchewan, related to potential environmental remediation of a landfill site previously operated by Meadow Lake Pulp Limited Partnership. The $4.5 million is the estimate of the costs which may be required to remediate the site, as determined by third party experts. The Corporation's obligation to incur these costs is contingent on the findings from ongoing groundwater monitoring at the location, which is expected to continue until 2017; at which time the Corporation will either incur the remediation costs, or the funds will be released from trust if results from groundwater monitoring indicate further remediation is not required. Due to uncertainty regarding the future findings of groundwater monitoring, the $4.5 million held in trust has not been included as a liability in these financial statements.

14. Items not affecting cash from operations

(thousands of dollars)	2011	2010
Share of losses of equity investments	$ 2,715	$ 556
Recovery of reinsurance liabilities	(4,965)	-
(Recovery of) provision for environmental remediation liabilities	(41,798)	4,020
Amortization	2	21
(Gain) loss on sale of investments	(1,965)	1,086
Net change in value of investments	14,320	14,732
Cash recoveries included in net change in value of investments	1,225	271
Provision for loan losses	3,363	4,127
Non-controlling interest	(771)	837
Working capital balances related to investments	(50)	(607)
Other non-cash items	2,492	400
	$ (25,432)	$ 25,443

15. Net change in non-cash working capital balances related to operations

(thousands of dollars)	2011	2010
(Increase) decrease in interest and dividends receivable	$ (138)	$ 203
Decrease (increase) in accounts receivable	866	(186)
Decrease in trade and other payables	(1,721)	(1,896)
	$ (993)	$ (1,879)

16. Related party transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to AMI by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). AMI has elected to take a partial exemption under IAS 24 - *Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government or other government related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

Included in accounts receivable is $294 thousand (2010 - $Nil) due from First Nations and Metis Fund Inc., a related party through common control, for the sale of a loan to L&M (2011).

CIC provides management services to the Corporation without charge. The Corporation estimates $141 thousand (2010 - $205 thousand) of CIC's senior management time is expended on the Corporation.

17. Financial risk management

AMI is exposed to market risk (equity prices, interest rates and foreign exchange rates), credit risk and liquidity risks. AMI mitigates the risk through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

Fair values are approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgement and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

(thousands of dollars)

Financial Instruments	Classification (i)	2011 Carrying Amount	2011 Fair Value	2010 Carrying Amount	2010 Fair Value
Financial Assets					
Cash and cash equivalents	FVTPL	$ 88,266	$ 88,266	$ 129,203	$ 129,203
Short-term investments	FVTPL	74,593	74,593	-	-
Interest and dividends receivable	LAR	434	434	296	296
Accounts receivable	LAR	756	756	1,622	1,622
Restricted cash	FVTPL	12,556	12,556	42,060	42,060
Investments - fair value	FVTPL	21,055	21,055	31,681	31,681
Investments - loans and other advances	LAR	33,887	(ii)	36,572	(ii)
Financial Liabilities					
Trade and other payables	OL	2,357	2,357	4,078	4,078

i) Classification details are:

FVTPL - fair value through profit or loss
LAR - loans and receivables
OL - other liabilities

ii) The uncertainty and potentially broad range of fair values for Investments - loans and other advances, renders the disclosure of a fair value with appropriate reliability impractical. Loans are reviewed for indications of impairment annually as detailed in Note 3(f) and 3(g).

a) Fair value hierarchy

Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of inputs used in the valuation.

Level 1 - Quoted prices are readily available from an active market.
Level 2 - Inputs, other than quoted prices included in level 1 that are observable either directly or indirectly.
Level 3 - Inputs are not based on observable market data.

AMI's financial instruments are categorized within this hierarchy as follows:

(thousands of dollars)

	2011 Level 1	2011 Level 2	2011 Level 3	2011 Total
Cash and cash equivalents	$ 88,266	$ -	$ -	$ 88,266
Short-term investments	74,593	-	-	74,593
Restricted cash	12,556	-	-	12,556
Investments - fair value	2,773	-	18,282	21,055

	2010 Level 1	2010 Level 2	2010 Level 3	2010 Total
Cash and cash equivalents	$ 129,203	$ -	$ -	$ 129,203
Restricted cash	42,060	-	-	42,060
Investments - fair value	7,511	-	24,170	31,681

Changes in Level 3 investments - fair value are as follows:

(thousands of dollars)	2011	2010
Balance, beginning of year	**$ 24,170**	$ 27,910
Unrealized losses attributable to assets held at the end of the year included in net earnings (loss)	**(5,888)**	(3,740)
Balance, end of year	**$ 18,282**	$ 24,170

Other financial assets and liabilities

Other financial assets and liabilities including interest and dividends receivable, accounts receivable and trade and other payables have not been classified in the fair value hierarchy given that carrying value approximates fair value due to immediate or short-term maturity.

b) Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return. The Corporation manages the following market risks:

Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment. The Corporation mainly invests in private companies, which may result in greater industry concentration and a limited number of companies. These companies may also be impacted directly or indirectly by changes in equity price risk.

All venture investments held by the Corporation present a risk of loss of capital due to business failures; however, the values of publicly traded venture investments are directly linked to movements in the stock market. The private venture investments are also indirectly linked to the general market trends to the extent that poor market conditions may place downward pressure on valuations of the Corporation's holdings due to reduced levels of activity in the initial public offering and merger and acquisition markets. The maximum risk resulting from financial instruments is equivalent to their fair value. The fair value of these equities at December 31, 2011 was $21.1 million (2010 - $31.7 million).

AMI's equity price risk has been assessed relative to the Toronto Stock Exchange (TSX) and the TSX Venture Exchange (TSX-V), which are considered by management to reflect the broad market factors impacting the Corporation's equity investments classified as FVTPL. Based on this assessment, AMI anticipates that a 10 per cent change in the average of the TSX and TSX-V indices would result in an 11.5 per cent change in the fair value of the Corporation's equity investments classified as FVTPL.

Due to the geographic concentration in Saskatchewan combined with the industry composition of the Corporation's equity portfolio, there may be additional factors influencing AMI's equity price risk which may not correlate to factors reflected in the TSX and TSX-V indices. As a result of the inherent difficulty in forecasting and quantifying the events or factors which could result in the Corporation's FVTPL portfolio diverging from trends identified in the broad Canadian public equity markets, management considers comparison to the TSX and TSX-V most objective in the circumstances.

Interest rate risk

AMI is exposed to changes in interest rates in its cash and cash equivalents, fixed income investments, including short-term investments and restricted cash. Based on year end balances, It is estimated that a 100 basis point increase or decrease in interest rates would decrease or increase annual net earnings by $1.8 million at December 31, 2011 (2010 - $1.7 million).

Foreign currency risk

AMI is exposed to currency risk, primarily US dollars, through some of the Corporation's equity based investments. AMI does not believe that the impact of fluctuations in foreign exchange rates on anticipated transactions will be material and therefore has not provided a sensitivity analysis of the impact on net earnings.

c) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. AMI maintains credit policies and limits in respect to short-term investments.

The carrying amount of financial assets represents the maximum credit exposure as follows:

(thousands of dollars)

	2011	2010
Cash and cash equivalents	$ 88,266	$ 129,203
Short-term investments	74,593	-
Interest and dividends receivable	434	296
Accounts receivable	756	1,622
Restricted cash	12,556	42,060
Investments - fair value	21,055	31,681
Investments - loans and other advances	33,887	36,572
	$ 231,547	$ 241,434

The allowance for doubtful accounts, which provides an indication of potential impairment losses, is reviewed quarterly based on an analysis of the aging of accounts receivable and an estimate of outstanding amounts that are considered to be uncollectible. Historically, AMI has not written-off a significant portion of its accounts receivable balances.

The aging of accounts receivable are detailed as follows:

(thousands of dollars)

Accounts receivable	2011	2010
Current	$ 415	$ 260
30-59 Days	-	-
60-89 Days	-	-
Greater than 90 Days	341	1,362
Gross accounts receivable	756	1,622
Allowance for doubtful accounts	-	-
Net accounts receivable	$ 756	$ 1,622

d) Liquidity risk

Liquidity risk is the risk that AMI is unable to meet its financial commitments as they become due. AMI is a subsidiary of CIC and as such has access to capital markets through the Saskatchewan Ministry of Finance. AMI, through its diversified holdings and capital allocation, can allocate resources to ensure that all financial commitments made are met.

Where necessary AMI can borrow funds from CIC, adjust dividend rates, or be provided with equity injections to solve any liquidity issues. AMI's only contractual obligations are trade and other payables. All trade and other payables are due in 2012.

18. Explanation of transition to IFRS

As stated in Note 2(a), these are AMI's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in Note 3 have been consistently applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010, and the preparation of an opening IFRS statement of financial position at January 1, 2010 (AMI's date of transition).

In preparing these consolidated financial statements, AMI has adjusted amounts reported previously in financial statements prepared in accordance with GAAP. These adjustments relate to reclassifications of amounts previously reported under GAAP, or are required for the transition from GAAP to IFRS. Explanations of how these adjustments have affected AMI's financial position, financial performance and cash flows are set out in the following tables and the notes that accompany the tables.

RECONCILIATION OF EQUITY (thousands of dollars)

		December 31, 2010			January 1, 2010		
	Note	GAAP balance	Adjustments	IFRS balance	GAAP balance	Adjustments	IFRS balance
ASSETS							
Current							
Cash and cash equivalents	a	$ 129,479	$ (276)	$ 129,203	$ 175,618	$ (387)	$ 175,231
Interest and dividends receivable		296	-	296	499	-	499
Accounts receivable	b	1,744	(122)	1,622	1,460	(24)	1,436
Restricted cash	c	22,372	(312)	22,060	21,563	(313)	21,250
		153,891	(710)	153,181	199,140	(724)	198,416
Investments	d	61,784	6,469	68,253	127,903	5,564	133,467
Investments in equity accounted investees	e	40,286	4,933	45,219	45,533	4,770	50,303
Equipment		35	-	35	257	-	257
Restricted cash		20,000	-	20,000	20,000	-	20,000
		$ 275,996	$ 10,692	$ 286,688	$ 392,833	$ 9,610	$ 402,443
LIABILITIES AND SHAREHOLDERS EQUITY							
Current							
Trade and other payables	f	$ 4,090	$ (12)	$ 4,078	$ 5,990	$ (16)	$ 5,974
Provision for environmental remediation liabilities		102,595	-	102,595	98,575	-	98,575
Provision for reinsurance liabilities		10,848	-	10,848	10,868	-	10,868
		117,533	(12)	117,521	115,433	(16)	115,417
Shareholder's Equity							
Share capital		80,000	-	80,000	180,000	-	180,000
Contributed surplus		161	-	161	136	-	136
Retained earnings	g	71,315	7,744	79,059	82,355	13,793	96,148
Accumulated other comprehensive income (loss)	h	271	(676)	(405)	7,105	(7,366)	(261)
Equity attributable to CIC		151,747	7,068	158,815	269,596	6,427	276,023
Non-controlling interest	i	6,716	3,636	10,352	7,804	3,199	11,003
Total shareholder's equity		158,463	10,704	169,167	277,400	9,626	287,026
		$ 275,996	$ 10,692	$ 286,688	$ 392,833	$ 9,610	$ 402,443

RECONCILIATION OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2010 (thousands of dollars)

	Note	GAAP balance	Adjustments	IFRS balance
REVENUES				
Interest and other	j	$ 10,545	$ (76)	$ 10,469
Share of profit of equity accounted investees	k	(592)	36	(556)
Gain (loss) on sale of investments	l	5,684	(6,770)	(1,086)
		15,637	(6,810)	8,827
EXPENSES				
Operating	m	2,384	(205)	2,179
Amortization		21	-	21
		2,405	(205)	2,200
EARNINGS BEFORE THE FOLLOWING		13,232	(6,605)	6,627
Provision for environmental remediation liabilities		(4,020)	-	(4,020)
Provision for loan losses		(4,127)	-	(4,127)
Net change in value of investments	n	(15,725)	993	(14,732)
LOSS BEFORE NON-CONTROLLING INTEREST		(10,640)	(5,612)	(16,252)
Non-controlling interest		(400)	(437)	(837)
NET LOSS ATTRIBUTABLE TO CIC		(11,040)	(6,049)	(17,089)
OTHER COMPREHENSIVE LOSS				
Net change in unrealized gains on available-for-sale investments	o	80	(80)	-
Amounts realized in net earnings (loss)	o	(6,770)	6,770	-
Net change in unrealized foreign currency translation losses		(144)	-	(144)
OTHER COMPREHENSIVE LOSS		(6,834)	6,690	(144)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO CIC		$ (17,874)	$ 641	$ (17,233)

RECONCILIATION OF CONSOLIDATED CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2010 (thousands of dollars)

Net change in cash under GAAP	$	(46,139)
Differences increasing (decreasing) reported net change in cash:		
Cash from operating activities		166
Cash used in investing activities		(55)
Net change in cash under IFRS	$	(46,028)

For the twelve months ended December 31, 2010, there were no material reconciling items between previous Canadian GAAP and IFRS cash flows.

NOTES TO FINANCIAL STATEMENT LINE ITEM RECONCILIATIONS (thousands of dollars)

The following tables provide breakdowns of reconciling items that impacted each financial statement line item as referenced in the reconciliations between GAAP and IFRS above. Narrative explanations for reconciling items follow the tables with cross references to those narratives as shown.

a Cash and cash equivalents

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Equity accounting under IFRS versus proportionate consolidation under GAAP (1)	$ (276)	$ (387)

b Accounts receivable

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Equity accounting under IFRS versus proportionate consolidation under GAAP (1)	$ (122)	$ (24)

c Restricted cash

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Equity accounting under IFRS versus proportionate consolidation under GAAP (1)	$ (312)	$ (313)

d Investments

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Equity accounting under IFRS versus proportionate consolidation under GAAP (1)	$ (633)	$ (647)
Revalue cost-based investments (2)	7,102	6,211
	$ 6,469	$ 5,564

e Investments in equity accounted investees

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Equity accounting under IFRS versus proportionate consolidation under GAAP (1)	$ 4,933	$ 4,770

f Trade and other payables

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Equity accounting under IFRS versus proportionate consolidation under GAAP (1)	$ (12)	$ (16)

g Retained earnings	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Reclassify investment gains from accumulated other comprehensive income (loss) (3)	$ 676	$ 7,366
Equity accounting under IFRS versus proportionate consolidation under GAAP (1)	3,602	3,415
Revalue cost-based investments (2)	7,102	6,211
Non-controlling interest (4)	(3,636)	(3,199)
	$ 7,744	$ 13,793

h Accumulated other comprehensive income (loss)	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Reclassify investment gains from accumulated other comprehensive income (loss) (3)	$ (676)	$ (7,366)

i Non-controlling interest	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Non-controlling interest (4)	$ 3,636	$ 3,199

j Interest and other	Increase (decrease)
	December 31 2010
Reconciling items:	
Equity accounting under IFRS versus proportionate consolidation under GAAP (1)	$ (76)

k Share of profit of equity accounted investees	Increase (decrease)
	December 31 2010
Reconciling items:	
Equity accounting under IFRS versus proportionate consolidation under GAAP (1)	$ 36

l Gain (loss) on sale of investments	Increase (decrease)
	December 31 2010
Reconciling items:	
Reclassify investment gains from accumulated other comprehensive income (loss) (3)	$ (6,770)

m Operating expenses	Increase (decrease)
	December 31 2010
Reconciling items:	
Equity accounting under IFRS versus proportionate consolidation under GAAP (1)	$ (205)

n Write-down of investments	Increase (decrease)
	December 31 2010
Reconciling items:	
Equity accounting under IFRS versus proportionate consolidation under GAAP (1)	$ 26
Revalue cost-based investments (2)	967
	$ 993

o Other comprehensive income (loss)	Increase (decrease)
	December 31 2010
Reconciling items:	
Reclassify investment gains from accumulated other comprehensive income (loss) (3)	$ 6,770
Revalue cost-based investments (2)	(80)
	$ 6,690

Notes to Financial Statement Line Item Reconciliations

1) Equity accounting used under IFRS versus proportionate consolidation under GAAP

   Under IFRS, CIC AMI accounts for jointly controlled interests using the equity method. Under GAAP, CIC AMI accounted for these interests using the proportionate consolidation method.

2) Revalue cost-based investments

   Certain investments formerly carried at cost under GAAP, are required to be carried at fair market value under IFRS.

3) Reclassify investment gains/losses from accumulated other comprehensive income (loss)

   Under GAAP, unrealized gains and losses on available-for-sale investments were included in accumulated other comprehensive income (AOCI). On transition to IFRS, the majority of these available-for-sale investments were reclassified as held-for-trading. Changes in fair value of held-for-trading investments are recorded directly to net earnings (loss).

4) Non-controlling interest

   Under GAAP, certain investments formerly carried at cost are required to be carried at fair market value under IFRS. These adjustments have resulted in changes to non-controlling interest.

Below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS:

a. Business combinations

   IFRS 1 provides the option to apply IFRS 3 - *Business Combinations*, retrospectively or prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Corporation elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to the Transition Date and as such business combinations have not been restated. Any goodwill arising on business combinations prior to the Transition Date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying this exemption.

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